



JCPenney®

Every Day Matters™
jcp.com

MESSAGE FROM

MIKE

DEAR JCPENNEY STOCKHOLDER:

It is gratifying to write to you about JCPenney's remarkable accomplishments in 2006. Our success reflects the progress we have made in implementing the Long-Range Plan for growth we introduced in 2005, and the commitment of our Associates to fulfilling our promises to our customers. This momentum is allowing us to undertake new growth initiatives, all designed to make JCPenney the leader in performance and execution in retailing.



GROWTH INITIATIVES:

New Private and Exclusive Brands Found Only in JCPenney: Our customers tell us that one of the most compelling attractions of JCPenney is our collection of private and exclusive brands, which we believe clearly differentiate us as the lifestyle shopping destination for style and quality at smart prices.

This customer demand led us to launch several new brands in 2006 and early 2007, each of which is delivering a strong performance. Among them are a.n.a — "a new approach" for the modern casual woman; Solitude in menswear; and, Studio in our JCPenney Home Collection. We also introduced Sephora, the most exciting retail concept in the beauty industry, inside JCPenney stores. Based on initial sales, Sephora's offering is clearly inspiring our customers. We will continue to roll out Sephora inside JCPenney stores in 2007 and beyond.

We also recently added to our merchandise mix Ambrielle, our intimate apparel brand for the modern customer, and two new casual brands created for us by Liz Claiborne — Liz & Co. for the traditional woman and Concepts By Claiborne for the modern man. Early sales of these brands suggest they are resonating extremely well with our customers.

In spring 2008, these brands will be joined by American Living, a classic/traditional brand being created exclusively for JCPenney by Polo Ralph Lauren's Global Brand Concepts. This will be the largest

launch in our Company's history, available throughout our merchandise assortment, and will serve to further set us apart in the retail marketplace.

Accelerated New Store Openings and Rapid Expansion of Our Industry-Leading Web Site: In 2006, we opened 28 new stores. As we look ahead, we believe there are more than 400 additional locations for new JCPenney stores, and we plan to open 250 new stores in the next five years.

The majority of these new stores will be in our highly successful off-mall format, which allows us to enter communities that do not have malls, but where there is significant demand for our destination national brands as well as our great private and exclusive brands. Many of these communities are new or expanding based on population shifts, and we are delighted to be able to quickly establish a presence and serve this growing customer base.

The expansion of JCPenney is a key element of our focus on being an easy and exciting place to shop, and we are dedicated to ensuring our existing store base reflects the best elements of our new store format. In the past five years, we have renovated 150 stores and plan to complete 65 more in the current year. In total, we have earmarked \$1.2 billion for capital investments in 2007, primarily for new stores and renovations of existing stores.

GROWTH INITIATIVES: (cont'd)

The combination of a mall and off-mall presence puts us in a strong competitive position, which is enhanced by having one of the most popular general merchandise Web sites on the Internet. In short, we are making it very easy for our customers to shop with us however and whenever they want.

In 2006, jcp.com's sales grew 24 percent to approximately \$1.3 billion. Our site is now accessible through our 35,000 sales terminals and is increasingly the technological architecture for our organization. As we look ahead, we are focused on further integrating our stores and jcp.com in order to continually improve the way we serve our customers.

Introduction of a New Brand Positioning for JCPenney: We have made great strides in developing an emotional connection with our customers, and now we want to build a more enduring relationship by making sure our brand differentiates us from our competition while inspiring our customers. To do this, we recently launched a new brand positioning for JCPenney, which is designed to show our customers that we understand what matters to them as they live their lives every day.

Our "Every Day Matters" positioning will be evident in every aspect of our business, from our approach to merchandising, to our compelling marketing and advertising, to most importantly an enhanced customer experience that focuses on treating our customers as friends by moving from a "transactional" relationship to an "emotional" relationship. Indeed, our Associates are the force that will bring our "Every Day Matters" positioning to life at JCPenney. Generating a deeper, more emotionally driven relationship with customers will fully engage our Associates and help make our Company the preferred choice for a retail career.

EXCELLENCE IN EXECUTION AND FINANCIAL PERFORMANCE:

The Company's 2006 financial results (see highlights on page 20) reflect our success in executing our 2005-2009 Long-Range Plan strategies. This progress has enabled us to considerably increase the value we have delivered to our stockholders and we are delighted to report that the market capitalization of the Company increased by \$5.8 billion in 2006 to reach \$18.9 billion at year end.

Based on the Company's financial performance in the past year, our Board has approved a new \$400 million stock repurchase program, which is in addition to the \$750 million program we completed in 2006. The Board also approved a plan to raise the cash dividend payable to stockholders by 11 percent to \$0.80 per share for the coming year, on top of a 44 percent increase in 2006.

Importantly, our long-term credit ratings have been raised to an investment grade level by all three major rating agencies. We remain focused on further strengthening our financial profile in 2007 and beyond.

LONG-RANGE PLAN OBJECTIVES ACHIEVED AHEAD OF SCHEDULE SETTING HIGHER GOALS:

Our outstanding performance has put us close to realizing the financial objectives we set in the Long-Range Plan launched in 2005. We had expected this to be a five-year plan, and I am proud that we have achieved so much in just two years. So while our fundamental strategies have not changed, we have updated our goals and initiatives. In short, our new 2007-2011 Long-Range Plan focuses on:

- **DEVELOPING A STRONG AND ENDURING RELATIONSHIP WITH OUR CURRENT AND NEW CUSTOMERS** by understanding their wants and aspirations, exceeding their expectations every time they shop with us, and communicating why we are the best choice.
- **INSPIRING OUR CUSTOMERS WITH OUR MERCHANDISE AND SERVICES** by further improving the relevancy of our offering through enhanced style, selection, speed-to-market, pricing strategies, and product flow.
- **BEING THE PREFERRED CHOICE FOR A RETAIL CAREER** by offering an exciting work experience, increasing engagement, recognizing success, offering competitive benefits, and developing and retaining the best people in retail.
- **ESTABLISHING JCPENNEY AS THE GROWTH LEADER IN THE RETAIL INDUSTRY** by optimizing growth in our core business as measured in sales, productivity, profitability, and return on investment.

This is a great time for JCPenney and, on behalf of our 155,000 Associates, Board and management team, I would like to express our gratitude for your support. We remain committed to delivering value for our stockholders. Even as we celebrate our 105th anniversary, we believe the best is yet to come for JCPenney's customers, Associates, and investors, and we look forward to a bright future.



Myron E. (Mike) Ullman, III
Chairman of the Board and Chief Executive Officer
April 2007

TODAY'S THE DAY TO
PERFORM

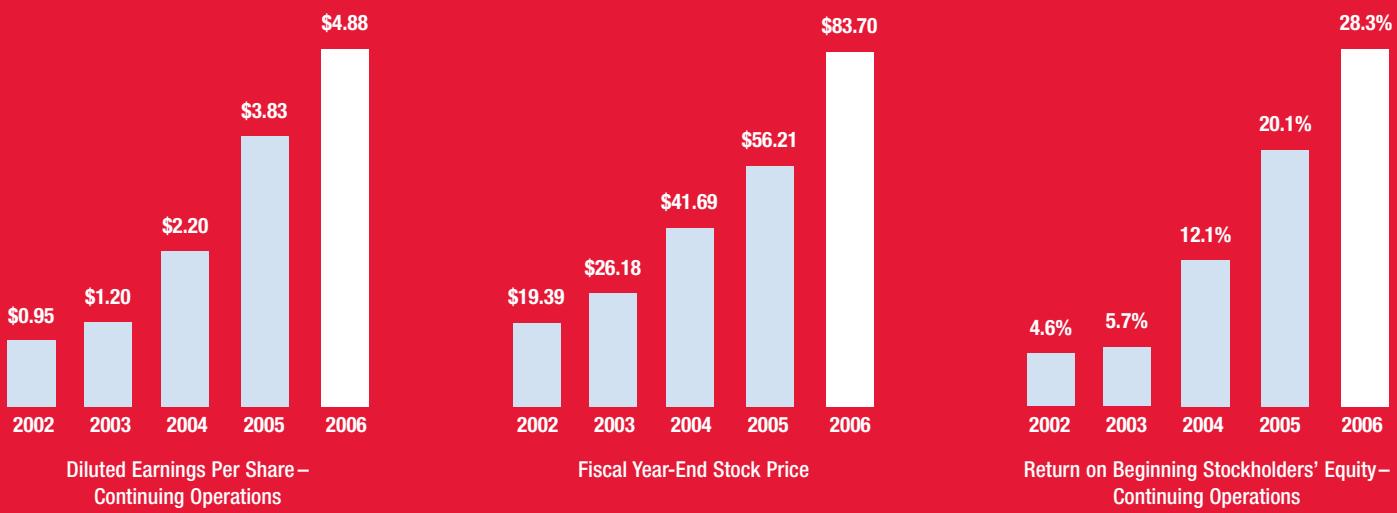
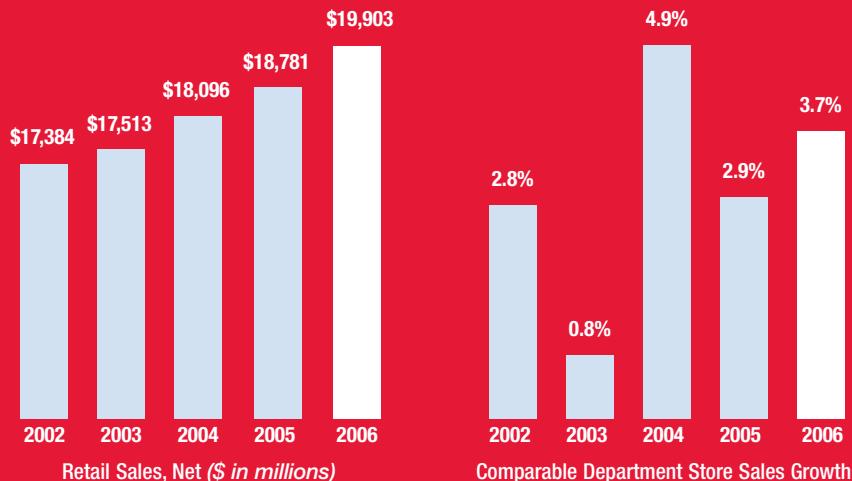
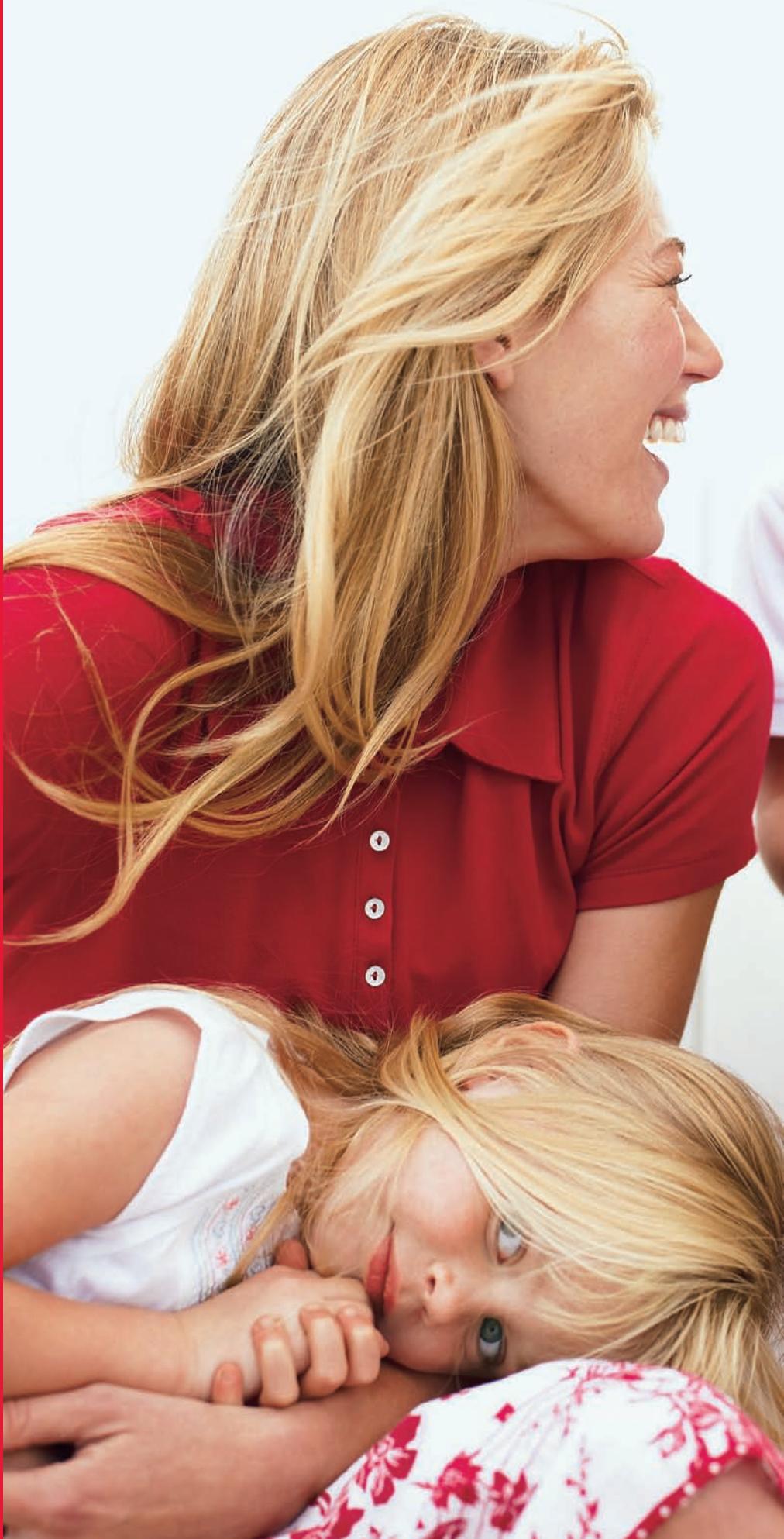


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Shown: St. John's Bay® for her,
The Original Arizona Jean Company® for kids.



TODAY'S THE DAY TO
CONNECT
WITH OUR CUSTOMERS

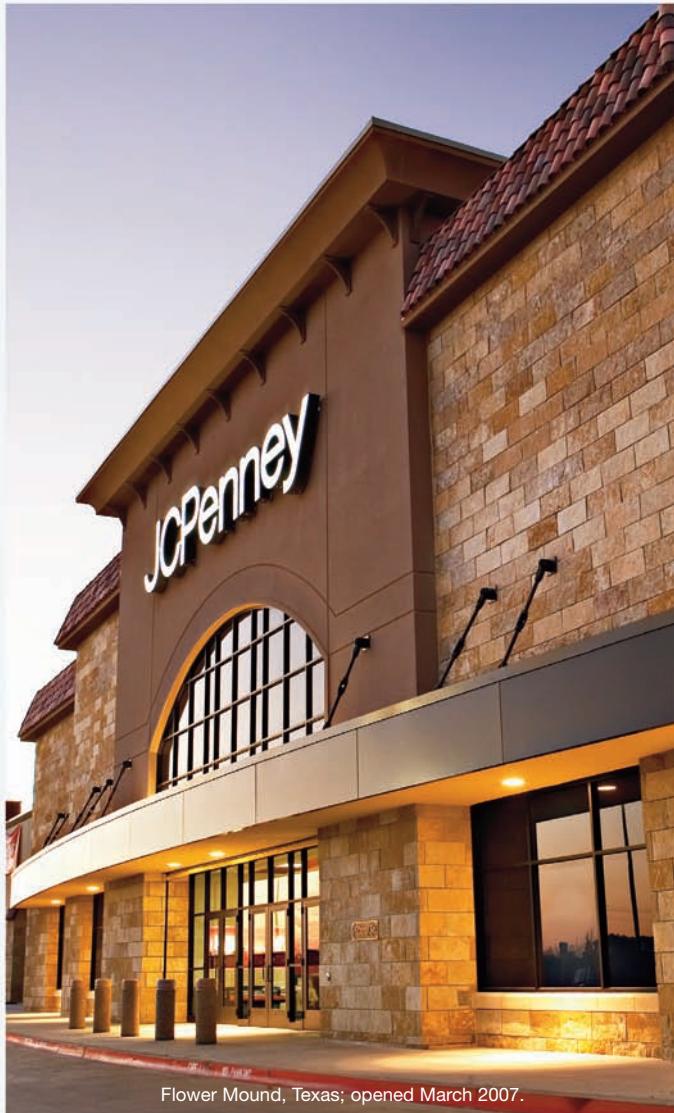
AT JCPENNEY,
EVERY DAY IS AN OPPORTUNITY
TO **GROW** OUR BUSINESS.
TO **CONNECT** WITH OUR CUSTOMERS.
AND TO **INSPIRE** THEM.
TO **BUILD** A WINNING CULTURE
WITH OUR ASSOCIATES.
TO SHOW OUR COMMUNITIES
THAT WE **CARE**.

TODAY'S THE DAY TO WELCOME
OUR CUSTOMERS...
OUR ASSOCIATES...
OUR STOCKHOLDERS
TO JCPENNEY.

IN RETAIL, AS IN LIFE,
Every Day Matters™

TODAY'S THE DAY TO
GROW
OUR BUSINESS

WITH NEW STORES, SERVICES,
AND MERCHANDISE THAT
CREATE AN EXCITING
SHOPPING EXPERIENCE.



Flower Mound, Texas; opened March 2007.

jcp.com: OUR FASTEST GROWING SHOPPING CHANNEL

JCPenney Direct is shifting to an Internet-dominated shopping channel supported by print from a print-dominated shopping channel. jcp.com continues to lead the industry with approximately \$1.3 billion in 2006 sales.

WHAT'S IN STORE

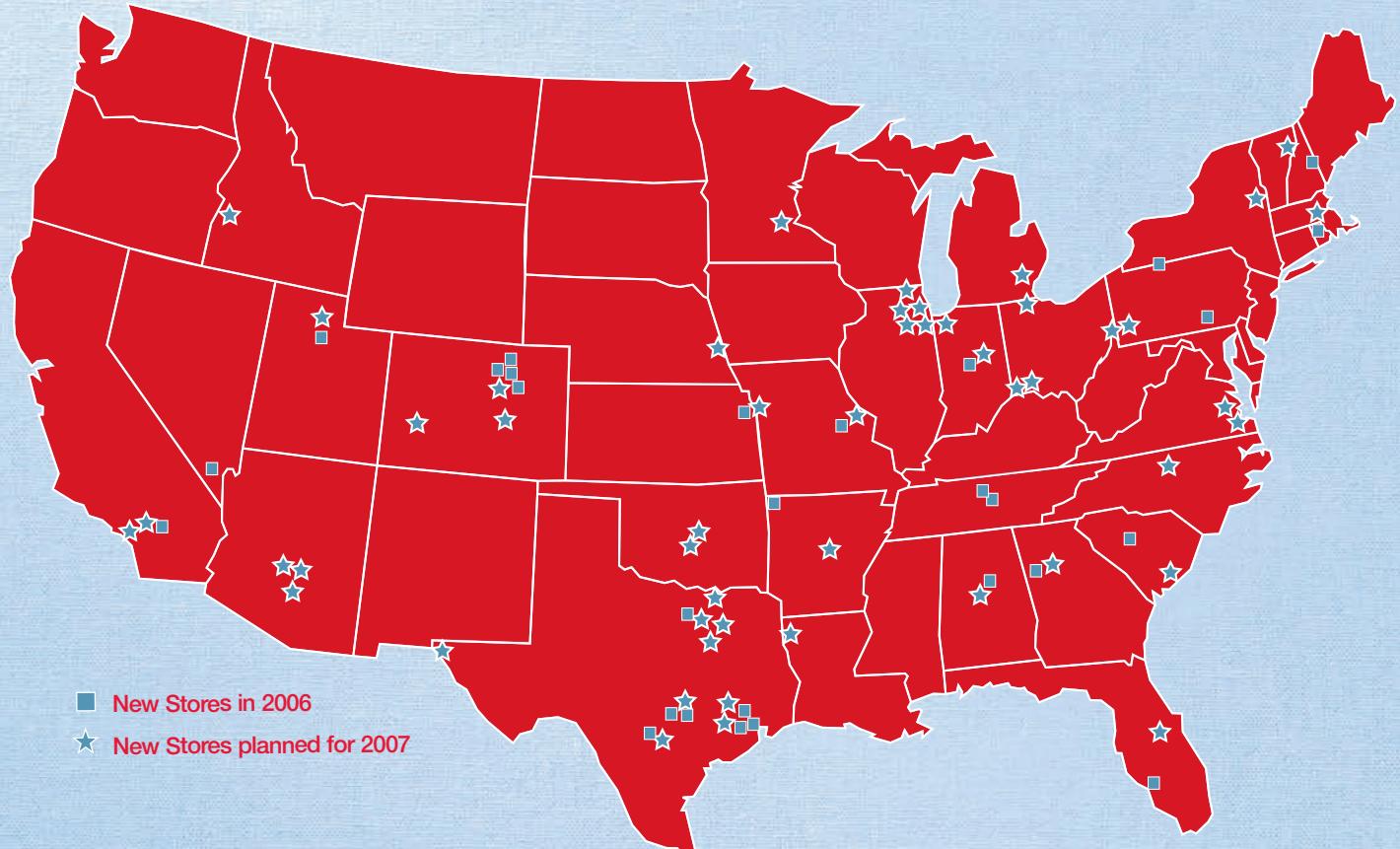
JCPenney's new off-mall store format is generating increased customer traffic and higher sales per square foot. In 2007, the Company plans to open 50 new stores and remodel 65 existing stores.



TEAMING WITH THE BEST IN THE BUSINESS

A joint initiative with Sephora is providing JCPenney with a dramatic re-entry into the beauty business, giving new and existing customers another reason to shop with us.

28 NEW STORES OPENED IN 2006
50 NEW STORES PLANNED TO OPEN IN 2007
250 NEW STORES PLANNED OVER THE NEXT 5 YEARS



2006 TOTAL NUMBER OF JCPENNEY STORES

| | | | | | |
|-------------|----|----------------|----|----------------|----|
| Alabama | 16 | Maine | 6 | Oklahoma | 17 |
| Alaska | 1 | Maryland | 17 | Oregon | 14 |
| Arizona | 20 | Massachusetts | 11 | Pennsylvania | 42 |
| Arkansas | 16 | Michigan | 41 | Rhode Island | 3 |
| California | 76 | Minnesota | 25 | South Carolina | 16 |
| Colorado | 18 | Mississippi | 17 | South Dakota | 8 |
| Connecticut | 10 | Missouri | 23 | Tennessee | 24 |
| Delaware | 3 | Montana | 9 | Texas | 78 |
| Florida | 55 | Nebraska | 11 | Utah | 9 |
| Georgia | 29 | Nevada | 7 | Vermont | 6 |
| Idaho | 8 | New Hampshire | 10 | Virginia | 26 |
| Illinois | 35 | New Jersey | 17 | Washington | 22 |
| Indiana | 28 | New Mexico | 10 | West Virginia | 8 |
| Iowa | 20 | New York | 42 | Wisconsin | 24 |
| Kansas | 19 | North Carolina | 36 | Wyoming | 5 |
| Kentucky | 22 | North Dakota | 8 | Puerto Rico | 7 |
| Louisiana | 13 | Ohio | 45 | | |

1,033 total number of JCPenney stores

103.1 million total gross square feet

TODAY'S THE DAY TO
GROW
OUR BUSINESS

THROUGH THE LAUNCH OF KEY
PRIVATE AND EXCLUSIVE DESIGNER
BRANDS THAT ESTABLISH JCPENNEY
AS THE LIFESTYLE SHOPPING
DESTINATION FOR STYLE AND
QUALITY AT SMART PRICES.



EXCEPTIONAL STYLES. EXCLUSIVELY OURS.

a.n.a JCPenney's new modern casual brand exceeded \$300 million in sales during its first year. This private brand for women also exemplifies the Company's improved cycle time reduction: designed, sourced, and offered to customers in 100 days.

east 5th Offering women versatile head-to-toe career wardrobe solutions with classic style, east 5th commands success. The introduction of east 5th demonstrates our unique ability to develop private brands that address the specific lifestyle needs of our customers.

Studio by JCPenney Home Collection Responding to the needs of the modern customer, Studio was introduced as a lifestyle solution for casual, relaxed living. The addition of Studio furniture and accessories positions JCPenney as a style leader in home décor.



A BRAND NEW PARTNERSHIP

Liz Claiborne, Inc. and JCPenney recently joined forces to target the traditional woman and modern man with refined casual style and quality.

Liz & Co. The Company's new exclusive brand offers sportswear, handbags, fashion jewelry, and accessories, designed to address the style and value preferences of traditional customers.

Concepts By Claiborne Created for the man seeking high-quality, trend-right fashion, this modern collection is built on the foundation of fashion basics, complemented with related separates.

OUR LARGEST PRIVATE BRAND LAUNCH IN COMPANY HISTORY

Ambrielle™

a sensual indulgence for every body

Ambrielle debuted in spring 2007 as the centerpiece of JCPenney's redesigned lingerie department. Created for the modern woman, Ambrielle blends sensual fashion with outstanding comfort and support — making it the superior intimate apparel choice. In addition to offering the largest range of sizes and selection of any department store, customers are ensured the perfect fit by utilizing one of more than 14,000 certified bra fit specialists nationwide.



JONES WEAR

IZOD

haggar.

DOCKERS®
HEADQUARTERS

carter's

adidas

TODAY'S THE DAY TO
INSPIRE
OUR CUSTOMERS

WITH A STRONG BALANCE
OF NATIONAL, PRIVATE, AND
EXCLUSIVE BRANDS THAT
MAKE JCPENNEY THE BEST
SHOPPING CHOICE FOR
EVERY CUSTOMER'S LIFESTYLE:
CONSERVATIVE, TRADITIONAL,
MODERN, OR TRENDY.



**DESTINATION
NATIONAL BRANDS**

HEADQUARTERS FOR THE NATION'S MOST
RECOGNIZED AND DESIRED BRANDS



carter's

lev's

Sealy

Self Esteem

SKECHERS
COLLECTION

VAN HEUSEN

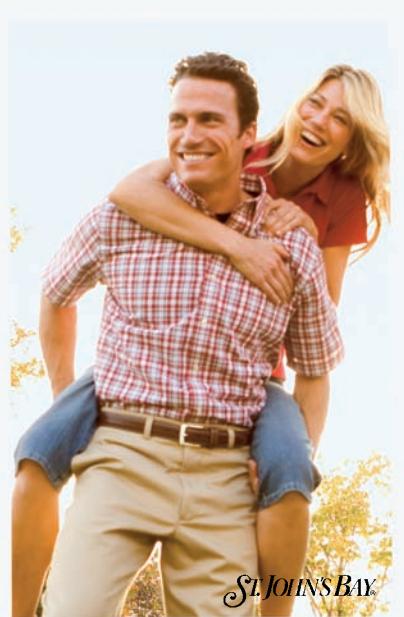
Ambrielle

anaTM
A NEW APPROACH

THE ORIGINAL
ARIZONA[®]
JEAN COMPANY

BISOU BISOU

Chris Madden



POWERFUL PRIVATE BRANDS AND EXCLUSIVE DESIGNER BRANDS

OUTSTANDING MERCHANDISE THAT DIFFERENTIATES US FROM OUR COMPETITION AND REPRESENTS APPROXIMATELY 50% OF OUR BUSINESS

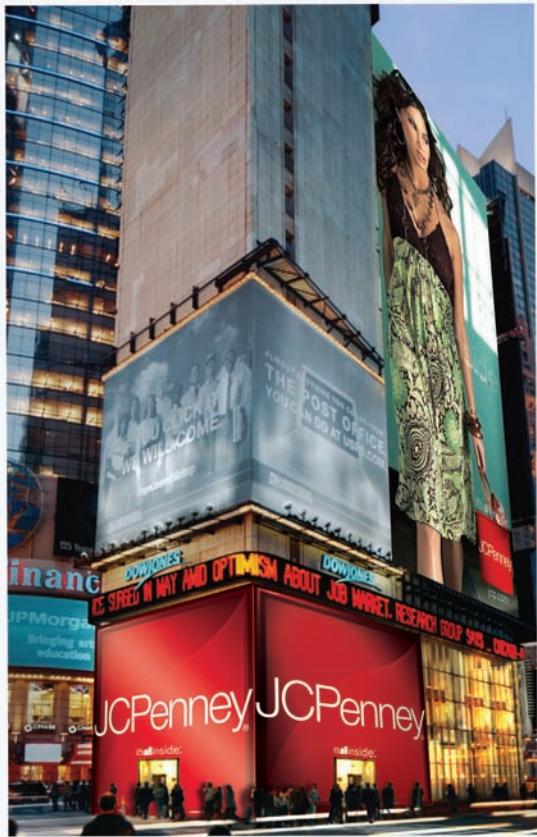


CONCEPTS COOKS east 5th[®] home liz&co. nicole by Nicole Miller

JCPenney collection

TODAY'S THE DAY TO
INSPIRE
OUR CUSTOMERS

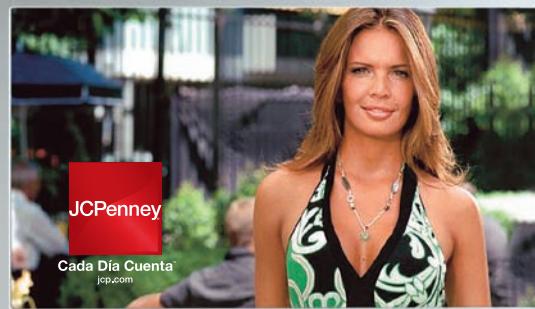
BY DEVELOPING AN
EMOTIONAL CONNECTION
THAT IS
STRONG AND ENDURING.



"The JCPenney Experience"



page fourteen | J. C. Penney Company, Inc. | Annual Report 2006



New Hispanic Marketing Campaign

**ENGAGE OUR CUSTOMERS THROUGH
POWERFUL MARKETING THAT MOTIVATES
THEM TO SHOP WITH US**

From "live ads" at the MTV Music Awards to our new brand positioning — "Every Day Matters," JCPenney's marketing continues to lead the industry with innovative and compelling strategies.

"THE JCPENNEY EXPERIENCE" Open for three weeks, the high-concept virtual store was centered in the heart of Manhattan at One Times Square. It showcased the Company's private and exclusive brands, while highlighting our billion-dollar Internet business through interactive shopping kiosks.

PREMIO LO NUESTRO, LATIN MUSIC AWARDS In an effort to make an even stronger emotional connection with our Hispanic customers, JCPenney secured the exclusive sponsorship of the longest running and most popular Latin music awards show, reaching over 11 million viewers.

ACADEMY AWARDS® JCPenney continues as the exclusive retail sponsor of the prestigious award ceremony. In 2007, the broadcast, famous for its focus on fashion, served as the consumer launch pad for the "Every Day Matters" ad campaign and the new brand positioning of JCPenney.

BACK-TO-SCHOOL Exclusive retail sponsorships with youth-targeted award shows were an integral part of our campaign and included the 2006 Teen Choice awards and Premios Juventud, Latin Teen Music Awards. The first ever "live ad" concept was introduced at the 2006 MTV Video Music Awards show, the No. 1 cable program of the year for persons ages 12 to 34.

BUILDING A RELATIONSHIP THAT IS MORE THAN A TRANSACTION

BY INTEGRATING OUR STORES, CATALOGS, AND jcp.com, WE GET TO KNOW OUR CUSTOMERS BETTER AND PROVIDE A SHOPPING EXPERIENCE THAT EXCEEDS THEIR EXPECTATIONS.



A photograph of an open laptop showing the J.C. Penney gift registry website. The screen displays sections for "gift registry", "freebies for the couple", "going to a wedding?", "celebrating a big event?", and "our top registries". The website has a clean, modern design with a white background and blue links.

SATISFYING CUSTOMER NEEDS THROUGH INNOVATIVE OPTIONS

NATIONWIDE GIFT REGISTRY Providing resources to celebrate the key moments in life — weddings, births, housewarmings, and more — helps to build enduring relationships with customers. Our nationwide Gift Registry makes gifting for any special occasion an efficient and enjoyable experience.

GIFT CARDS For holidays, birthdays, and every day, gift cards have become one of the most desired gift-giving solutions and continue to grow in popularity. For online customers, e-Gift cards offer the ultimate in speed and convenience.



TODAY'S THE DAY TO
BUILD
A WINNING CULTURE

BY BECOMING
THE PREFERRED CHOICE
FOR A RETAIL CAREER.



OUR WINNING TOGETHER PRINCIPLES

Our principles focus on making J.C. Penney a great place to work and create an environment that encourages career development and personal growth.

OUR ASSOCIATES. OUR GREATEST STRENGTH.

OUR MISSION IS TO RETAIN, DEVELOP, AND ATTRACT THE BEST PEOPLE IN RETAIL WHO REFLECT THE DIVERSITY OF THE COMMUNITIES WE SERVE.



Company pep rally



Training led by Executive Board



Point-of-sale training



ACHIEVING A CORPORATE CULTURE OF FULLY ENGAGED ASSOCIATES

A key strategy of our Long-Range Plan focuses on making JCPenney a great place to work. We believe engaged Associates are the key to driving our business. With a focus on Associate engagement, we have defined and branded an employment promise called **WINNING TOGETHER**, which includes eight fundamental principles – Associates, integrity, performance, recognition, teamwork, quality, innovation, and community. These principles serve as a moral code that defines the way we work and WIN together to achieve superior financial performance.

INVESTING IN OUR INTERNAL LEADERSHIP

Taught by the Company's Executive Board, we have created several new training programs to develop the Company's next generation of leaders. Through learning sessions such as "Retail Academy," and "**WINNING TOGETHER** Leading Together," we are equipping our Associates with tools to develop their leadership skills and drive our Company's growth.

PROVIDING OUR ASSOCIATES WITH CAREER DEVELOPMENT AND TRAINING

Developing the skills and abilities of our Associates is one of our top priorities. We offer clear career paths and opportunities to support personal growth. Extensive training programs and tools like career discussions and Individual Development Plans further foster a culture of development at JCPenney.

BUILDING A WORKFORCE THAT REFLECTS THE DIVERSITY OF THE COMMUNITIES WE SERVE

We are fully committed to creating an inclusive work environment where everyone is respected and valued. Diversity serves as a competitive advantage, allowing us to grow our business through our people. As an example of how we recognize and appreciate our workforce, six Associates were featured in "*Somos JCPenney*," a special advertising section in *People en Español* magazine during Hispanic Heritage Month.

"*Somos JCPenney*," which means "We are JCPenney"





**TODAY'S THE DAY TO
CARE
ABOUT OUR COMMUNITIES**

BY IMPROVING
THE QUALITY OF LIFE
IN THE PLACES
WHERE WE WORK
AND LIVE.

JCPENNEY AFTERSCHOOL FUND

JCPenney's highest philanthropic priority is children — our nation's most valuable resource. We are dedicated to not only providing access to life-changing afterschool programs, but also raising national awareness of this critical issue. In 2006, the JCPenney Afterschool Fund contributed over \$7 million in grants to programs benefiting more than 15,000 children throughout the nation.

JCPenney

afterschool
powering their potential

"LIFE'S GREATEST PLEASURE AND SATISFACTION IS FOUND IN GIVING, AND THE GREATEST GIFT OF ALL IS THAT OF ONE'S SELF."

—James Cash Penney

JCPENNEY JAM CONCERT FOR AMERICA'S KIDS In order to bring the critical afterschool issue into the national spotlight, we created the "JCPENNEY JAM...THE CONCERT FOR AMERICA'S KIDS," the largest project ever undertaken in America to raise awareness of the need for quality afterschool programs. The concert, which was broadcast as a prime-time special on CBS, featured a multi-genre lineup of music icons including renowned artists Jon Bon Jovi, Sting, Mary J. Blige, Kenny Chesney, Andrea Bocelli, and more. The JAM also earned JCPenney the coveted "Peter Glen for Public Service" award at the 2007 Retail Advertising Conference.

UNITED WAY By supporting the United Way, JCPenney Associates are able to contribute to lasting, positive changes in their communities and impact the lives of their friends, family, coworkers, and customers. In 2006, JCPenney Associates donated more than \$11.5 million to United Way programs nationwide.



JAMES CASH PENNEY AWARDS JCPenney believes volunteerism is vital to a healthy community. These awards honor active and retired Associates who volunteer in their communities with cash contributions to the charitable organizations they serve. In 2006, Associates volunteered over 225,000 hours and their charitable organizations received over \$180,000.



CORPORATE SOCIAL RESPONSIBILITY

JCPenney is constantly seeking ways to better integrate social development, economic progress, and environmental concerns to ensure a better quality of life for future generations.

JCPenney is the U.S. Environmental Protection Agency's 2007 ENERGY STAR "Retail Partner of the Year" for outstanding energy management and reductions in greenhouse gas emissions.

SUPPLIER COMPLIANCE JCPenney seeks suppliers who share our strong commitment to delivering high-quality products to our customers. Through our comprehensive compliance program, we work hard to ensure the merchandise we sell in our stores complies with applicable laws and that our suppliers operate at the highest degree of ethical labor standards.

ECO-FRIENDLY We are dedicated to promoting long-term environmental stewardship — from the operation of our stores to the expectations we set with our suppliers. In addition to maintaining compliance, JCPenney is exploring more ways to reduce our impact on the environment.

Go to www.jcpenney.net for more information about the Company's community relations and corporate social responsibility efforts.

This summary report is printed using 100% certified renewable wind energy on Forest Stewardship Council (FSC) paper with 10% post-consumer waste (PCW) fiber made and sourced from well-managed forests and other controlled-wood sources.

2006 FINANCIAL HIGHLIGHTS

| OPERATING RESULTS | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Retail sales, net (\$ in millions) | \$ 19,903 | \$ 18,781 | \$ 18,096 | \$ 17,513 | \$ 17,384 |
| Comparable department store sales increase(1) | 3.7% | 2.9% | 4.9% | 0.8% | 2.8% |
| Direct (Internet/catalog) sales increase/(decrease)(2) | 4.1% ⁽³⁾ | 3.6% | 1.5% ⁽³⁾ | 3.3% ⁽³⁾ | (22.0)% |
| Sales per gross square foot⁽⁴⁾ | \$ 164 | \$ 157 | \$ 151 | \$ 144 | \$ 141 |
| Sales per net selling square foot⁽⁴⁾ | \$ 231 | \$ 221 | \$ 214 | \$ 204 | \$ 201 |
| Gross margin (5) (\$ in millions) As a percent of sales | \$ 7,825 39.3% | \$ 7,191 38.3% | \$ 6,792 37.5% | \$ 6,276 35.8% | \$ 6,097 35.1% |
| Operating income (5) (\$ in millions) As a percent of sales | \$ 1,922 9.7% | \$ 1,631 8.7% | \$ 1,275 7.0% | \$ 786 4.5% | \$ 624 3.6% |
| Income from continuing operations (\$ in millions) | \$ 1,134 | \$ 977 | \$ 657 | \$ 360 | \$ 283 |
| Diluted earnings per share from continuing operations | \$ 4.88 | \$ 3.83 | \$ 2.20 | \$ 1.20 | \$ 0.95 |
| Return on beginning stockholders' equity - continuing operations | 28.3% | 20.1% | 12.1% | 5.7% | 4.6% |
| Cash flow from operating activities of continuing operations (\$ in millions) | \$ 1,255 | \$ 1,337 | \$ 1,111 | \$ 795 | \$ 516 |
| Capital expenditures (\$ in millions) | \$ 772 | \$ 535 | \$ 398 | \$ 359 | \$ 307 |
| Dividends declared per common share | \$ 0.72 | \$ 0.50 | \$ 0.50 | \$ 0.50 | \$ 0.50 |
| Number of JCPenney stores | 1,033 | 1,019 | 1,017 | 1,020 | 1,043 |
| Gross selling space (square feet in millions) | 103.1 | 101.4 | 101.3 | 101.1 | 103.3 |

(1) Comparable department store sales are presented on a 52-week basis. Comparable department store sales include sales of new and relocated stores, and stores reopened after being closed for an extended period (e.g., stores closed due to 2005 hurricanes), after such stores have been open for 12 full consecutive fiscal months. Stores remodeled and minor expansions not requiring store closure remain in the comparable department store sales calculation.

(2) Including sales for the 53rd week of 2006, the Internet component of Direct sales increased 24.4%. Excluding the effect of the 53rd weeks in 2006 and 2003, the Internet component of Direct sales increased 22.1%, 27.9%, 34.0%, 47.9%, and 17.3% for 2006, 2005, 2004, 2003, and 2002, respectively.

(3) Includes the effect of the 53rd weeks in 2006 and 2003. Excluding sales of \$50 million and \$46 million, respectively, for the 53rd weeks in 2006 and 2003, total Direct sales increased 2.4%, 3.3%, and 1.5% for 2006, 2004, and 2003, respectively.

(4) Calculations include the sales of stores that were open for a full fiscal year as of each year end. The 2006 and 2003 calculations exclude sales of the 53rd week.

(5) In 2006, costs associated with the Company's store merchandise distribution centers were reclassified from selling, general and administrative expenses into cost of goods sold, a component of gross margin, and real estate and other was included as a component of operating income. All prior periods presented have been reclassified to reflect these new classifications.

COMMON STOCK HOLDINGS

The following table shows the approximate ownership percentage of the Company's common stock by major category as of December 31, 2006:

% Ownership

83% Institutional

9% Company savings plan

8% Individual and other



STOCKHOLDER INFORMATION

STOCK EXCHANGE LISTING

Trading symbol JCP / New York Stock Exchange

ANNUAL MEETING

Friday, May 18, 2007, at 10 a.m. CDT
JCPenney Home Office
6501 Legacy Drive
Plano, TX 75024

SERVICES FOR REGISTERED STOCKHOLDERS

Mellon Investor Services, the transfer agent for JCPenney, provides services such as record keeping, stock transfer, and dividend payment for JCPenney registered stockholders. Registered stockholders who have questions or need assistance with their accounts should contact:

Mellon Investor Services, LLC
P.O. Box 3315
South Hackensack, NJ 07606
1-800-842-9470
www.melloninvestor.com/isd

SEC FILINGS

JCPenney SEC filings, including the following, are available on the Company's Investor Relations Web site at www.jcpenney.net:

- Annual Reports on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Reports on Form 8-K

QUARTERLY EARNINGS CONFERENCE CALLS

Live audio of each quarterly earnings conference call can be accessed through our Investor Relations Web site at www.jcpenney.net on the morning of the earnings release. Audio replays of the call are available up to 90 days following the event.

CERTIFICATIONS

The Company submitted its annual CEO Certification to the New York Stock Exchange in 2006 as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. The Company filed the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to its 2006 Annual Report on Form 10-K.

REFERENCE TO PROXY STATEMENT

For additional information about Company directors, board committees, audit fees, corporate governance matters, and executive compensation, see the 2007 J. C. Penney Company, Inc. Notice of Annual Meeting and Proxy Statement.

FISCAL 2007 SALES RELEASE DATES

| Sales Period | Release Date |
|----------------|-------------------|
| February 2007 | March 8, 2007 |
| March 2007 | April 12, 2007 |
| April 2007 | May 10, 2007 |
| May 2007 | June 7, 2007 |
| June 2007 | July 12, 2007 |
| July 2007 | August 9, 2007 |
| August 2007 | September 6, 2007 |
| September 2007 | October 11, 2007 |
| October 2007 | November 8, 2007 |
| November 2007 | December 6, 2007 |
| December 2007 | January 10, 2008 |
| January 2008 | February 7, 2008 |

FISCAL 2007 EARNINGS RELEASE DATES

| Quarter | Release Date |
|-------------|-------------------|
| 1st Quarter | May 17, 2007 |
| 2nd Quarter | August 16, 2007 |
| 3rd Quarter | November 15, 2007 |
| 4th Quarter | February 21, 2008 |

CONTACT INFORMATION

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Plano, TX 75024
972-431-1000

Shopping www.jcp.com

Company information www.jcpenney.net

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972-431-3400
jpcorpcomm@jcpenney.com

Investor Relations:

Robert Johnson
972-431-2217
rjohnso@jcpenney.com

Ed Merritt
972-431-8167
emerritt@jcpenney.com

WEB SITE AVAILABILITY

Company Corporate Governance Guidelines, Board Committee charters, and instructions for communicating with the Board are available by writing to the Company or at www.jcpenney.net. Click on "Investor Relations," then "Corporate Governance" to access these materials.

THE BOARD OF DIRECTORS

(numbers relate to Board Committee assignments described below)

Myron E. (Mike) Ullman, III

Chairman of the Board and
Chief Executive Officer

Colleen C. Barrett 2, 3

President,
Southwest Airlines Co.

M. Anthony Burns 1, 3, 4

Chairman Emeritus,
Ryder System, Inc.

Maxine K. Clark 2, 3

Founder and Chief Executive Officer,
Build-A-Bear Workshop, Inc.

Thomas J. Engibous 1, 4

Chairman of the Board,
Texas Instruments Incorporated

Kent B. Foster 1, 4

Chairman of the Board,
Ingram Micro Inc.

Vernon E. Jordan, Jr. 2

Senior Managing Director,
Lazard Freres & Co., LLC;
Of Counsel, Akin, Gump, Strauss,
Hauer & Feld, LLP

Burl Osborne 2, 3

Publisher Emeritus,
The Dallas Morning News;
Chairman of the Board,
The Associated Press

Leonard H. Roberts 1, 4

Retired Chairman and
Chief Executive Officer,
RadioShack Corporation

Ann Marie Tallman 2

Founder and Partner,
Tallman Homes, LLC

R. Gerald Turner 2, 3

President,
Southern Methodist University

Mary Beth West 1, 4

Group Vice President
and President, Kraft Foods
North American
Beverage Sector



The National Portrait Gallery, 2007

JCPenney would like to thank
retiring Director, **Vernon E. Jordan, Jr.**,
for 34 years of commitment and service.
Mr. Jordan's counsel and dedication played
an instrumental role over the years, including
the successful completion of our turnaround
and current growth strategies.

EXECUTIVE BOARD

Myron E. (Mike) Ullman, III

Chairman of the Board and
Chief Executive Officer

Ken C. Hicks

President and
Chief Merchandising Officer

Jeffrey J. Allison

Executive Vice President,
General Merchandise Manager,
Home and Custom Decorating

Joanne L. Bober

Executive Vice President,
General Counsel and Secretary

Michael J. Boylson

Executive Vice President,
Chief Marketing Officer

Lana Cain

Executive Vice President,
General Merchandise Manager,
Men's and Children's

Robert B. Cavanaugh

Executive Vice President and
Chief Financial Officer

Thomas A. Clerkin

Senior Vice President,
Director of Finance for
Stores, Catalog and Internet

Michael P. Dastugue

Senior Vice President,
Director of Property Development

Bernard D. Feiwus

Senior Vice President,
Chief Operating Officer of
JCP Direct

John W. Irvin

Executive Vice President,
President of JCP Direct

Clarence L. Kelley

Executive Vice President,
Director of Planning and Allocation

James W. LaBounty

Senior Vice President,
Director of Supply Chain Management

Peter M. McGrath

Executive Vice President,
Director of Product Development
and Sourcing

Thomas M. Nealon

Executive Vice President and
Chief Information Officer

Beryl Raff

Executive Vice President,
General Merchandise Manager,
Fine Jewelry

Elizabeth H. Sweeney

Executive Vice President,
General Merchandise Manager,
Women's Apparel

Michael W. Taxter

Executive Vice President,
Director of JCPenney Stores

Michael T. Theilmann

Executive Vice President,
Chief Human Resources and
Administration Officer

1. Member of the Audit Committee.

This committee:

- selects and retains the independent auditors for the annual audit of JCPenney's consolidated financial statements
- approves audit fees and non-audit services and fees of the independent auditors
- reviews the independent auditors' audit strategy and plan, scope, audit results, performance, and independence
- participates in the certification process for periodic reports filed pursuant to the Securities Exchange Act of 1934
- reviews internal audit reports on the adequacy of internal controls
- reviews the status of significant legal matters, the Company's ethics program, and the scope of the internal auditors' plans and budget, and results of their audits
- reviews the effectiveness of the Company's program for correcting audit findings.

2. Member of the Corporate Governance Committee.

This committee:

- considers matters of corporate governance and reviews developments in the governance area as they affect relations between the Company and its stockholders
- develops and recommends to the Board corporate governance principles and practices for the Company

2. (cont'd)

- makes recommendations to the Board on the size, composition, organization, responsibilities, and functions of the Board and its Directors
- makes recommendations to the Board with respect to the qualifications of Directors, candidates for election as Directors, and the compensation of Directors
- makes recommendations to the Board regarding annual independence determinations and the annual performance self-assessment by the Board.

3. Member of the Human Resources and Compensation Committee.

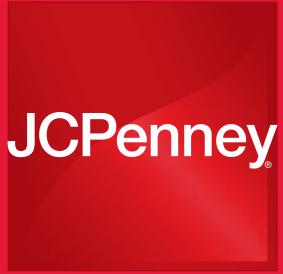
This committee:

- reviews and administers the Company's annual and long-term incentive compensation plans
- recommends or takes action with respect to senior executive officer compensation
- performs periodic reviews of succession plans for key Company executives, including the CEO
- reviews the annual financial condition and investment performance of the Company's retirement and welfare plans, including the annual actuarial valuation reports for the plans
- oversees the administration and operation of certain Company retirement and welfare plans.

4. Member of the Finance Committee.

This committee:

- reviews the Company's financial policies, strategies, and capital structure.



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WINNING TOGETHER Principles

associates ■■■■■

We value, develop, and reward the contributions and talents of all associates

integrity ■■■■■

We act only with the highest ethical standards

performance ■■■■■

We provide coaching and feedback to perform at the highest level

recognition ■■■■■

We celebrate the achievements of others

teamwork ■■■■■

We win together through leadership, collaboration, open and honest communication, and respect

quality ■■■■■

We strive for excellence in our work, products, and services

innovation ■■■■■

We encourage creative thinking and intelligent risk taking

community ■■■■■

We care about and are involved in our communities

we do this for our...

customers ■■■■■

We build lasting relationships by offering superior service and value

shareholders ■■■■■

We aspire to superior financial performance